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*Former  
HR 13705*

STATEMENT BY VICE ADMIRAL RUFUS TAYLOR  
DEPUTY DIRECTOR OF CENTRAL INTELLIGENCE

I much appreciate your giving me a few moments of your time during these especially hectic days. I have asked for this opportunity only because I am seriously concerned about the matter I am raising with you, and I will be as brief as possible.

STAT The purpose of my appearance before you today is to discuss an amendment to the CIA Retirement Act of 1964. I should like to make it clear that employees of CIA are under two different retirement systems. The majority of our employees are covered by the normal Civil Service retirement legislation. In 1964 the Congress approved a separate system for certain employees of the Agency, principally those engaged in rotational service abroad and those in hazardous duties. It was estimated at that time that only about  employees would become participants in this special system. As of now we have approximately  employees covered by this retirement system. STAT

Basically this system is similar to normal Civil Service except that an employee may voluntarily retire or be involuntarily

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retired when he has reached age fifty, with twenty years of Government service, ten years of which must be CIA service including five years of qualifying service. Qualifying service is defined generally to mean overseas service, hazardous duty or professional service completely unique to the Agency. The other difference from Civil Service is that the multiplier in determining the amount of the annuity is a simple two per cent per year of service. Thus the special CIA retirement system is essentially the same as that applicable to FBI agents and other such law-enforcement personnel. The reason for this special system was that we believed that in order to keep our overseas personnel in a younger age group because of their duties in support of clandestine operations or in other hazardous duty occupations they should be retired at an earlier age than the mandatory retirement age of 70 provided for under Civil Service legislation.

Since 1964 when the special CIA retirement system was approved there have been a number of modifications in the Civil Service Retirement Act and other retirement systems of the Government. Last year we submitted to the Congress legislation to bring up-to-date our retirement system and on 26 October 1967 Mr. Philbin introduced H. R. 13705 to amend

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the Central Intelligence Agency Retirement Act of 1964 for Certain Employees (P. L. 88-643, 13 October 1967).

While H. R. 13705 contains a number of amendments which are important to the Central Intelligence Agency retirement program, the need for enactment of the one section dealing with the cost-of-living formula for our annuitants has become critical. In weighing priorities at this busy time, we believe we should now focus our attention only on that provision.

The amendment before you closes the gap between the CIA and other major Federal retirement systems on cost-of-living adjustment of annuities. This gap stems from the fact that the CIA retirement system is operating under an old formula and the other systems, such as the military and Civil Service, are operating under a new formula. The new formula reduces from one year to three months the period over which increases in the Consumer Price Index must be maintained before annuities are adjusted. It therefore permits increases to be applied to retirees on a more current basis.

On 1 May 1968 the gap between the percentage increases in effect under the Civil Service and the CIA systems had reached 12.2 per cent for 1965 retirees, 9 per cent for 1966 retirees, and 3.9 per cent for 1967 and some 1968 retirees. If this gap

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continues much longer it will weaken the effectiveness of the CIA retirement system because of the adverse affect on morale of those covered by it.

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This amendment will do three things: it will bring the cost-of-living provisions of the CIA Retirement Act into line with those of the other major Federal retirement systems; it will assure that future cost-of-living adjustments under the CIA retirement system are in phase with those currently granted under the Civil Service system; and it will provide catchup increases to make up the percentage gap between the CIA and Civil Service systems.

I should like to emphasize that this legislation simply brings the CIA retirement system up to date with the Civil Service retirement system and the military retirement system with respect to cost-of-living adjustments. It grants to retirees of the CIA retirement system no more benefits than have already been accorded Civil Service and military retirees. Legislation is now pending before the House, after having been approved by the Senate, to bring the Foreign Service retirement system into line with Civil Service and military retirement. Thus, this legislation merely brings the cost-of-living formula in the special CIA retirement system into consonance with other Government retirement systems.

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Thank you for hearing me, Mr. Chairman. My colleagues and I, and especially some of our former colleagues, now retired, who have served the country and the Agency well, appreciate your interest. I'll be happy to try to answer any questions.